

DAILY POINTS

March 7, 2025 @ 7:00 EST

Contributors

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On Deck for Friday, March 7

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-07	08:30	Capacity Utilization (%)	4Q	79.5	79.3	79.3
CA	03-07	08:30	Employment (000s m/m)	Feb	20	20.0	76.0
CA	03-07	08:30	Unemployment Rate (%)	Feb	6.7	6.7	6.6
US	03-07	08:30	Average Hourly Earnings (m/m)	Feb	0.2	0.3	0.5
US	03-07	08:30	Average Hourly Earnings (y/y)	Feb	4.1	4.1	4.1
US	03-07	08:30	Average Weekly Hours	Feb	--	34.2	34.1
US	03-07	08:30	Nonfarm Employment Report (000s m/m)	Feb	140	160.0	143.0
US	03-07	08:30	Unemployment Rate (%)	Feb	4.1	4.0	4.0
US	03-07	08:30	Household Employment Report (000s m/m)	Feb	--	--	2234.0
US	03-07	10:15	Fed's Bowman Speaks on Policy Transmission				
US	03-07	10:45	Fed's Williams Speaks on Panel on Policy Transmission				
US	03-07	12:20	Fed's Kugler Speaks on Rebalancing Labor Markets				
US	03-07	12:30	Fed's Powell Speaks on the Economic Outlook				
US	03-07	13:00	Fed's Kugler Appears on Panel Discussion				
US	03-07	15:00	Consumer Credit (US\$ bn m/m)	Jan	--	15.0	40.8

KEY POINTS:

- **Markets are somewhat calmer ahead of jobs reports, Powell**
- **European debt markets consolidate the week's sell-off on spending surges**
- **Everything and nothing changed with yesterday's chaotic US tariff cave...**
- **...as N.A. C-suite uncertainty remains extraordinarily high and damaging**
- **Federal Reserve Chair Powell's speech on the outlook matters more than nonfarm**
- **Spin the wheel on US and Canadian jobs reports, it's always more about the clean-up**
- **Nonfarm payrolls preview**
- **Canadian jobs preview**

Markets are calmer this morning, but whether that lasts or not depends upon the outcome of a pair of US and Canadian jobs reports and then Chair Powell's speech. For now, EGBs are consolidating the week's massive sell-off and are little changed this morning, while gilts are slightly cheaper, and US Treasury yields are very slightly lower. The dollar is generally a bit weaker, except against CAD and antipodean crosses. Equities are mixed with N.A. futures flat (Toronto) to a bit higher in the US while Europe is selling off after prior gains.

I'll review what happened yesterday amid a whirlwind of tariff announcements before turning to previews of the day's main events.

RETALIATION AND REVERBERATING EFFECTS MAKE TRUMP BACK OFF—FOR NOW

The Trump administration loves chaos as it figures out what to do on the job in real-time. The latest manifestation of that was in yesterday afternoon's tariff announcements ([here](#), [here](#)). In garbled language, Trump said the reason for the pivot was that "It's just a modification short-term, because I didn't want to hurt the American it would have hurt the American car companies if I did that." In short, the CEOs of the US auto firms blasted him in their reported call and warned of large scale layoffs and plant closures. Trump said he doesn't look at the stock market, but it's highly probably that the declines and market turmoil that we've been seeing were an influence on his decision. So was the fact that Canada retaliated and Mexico was scheduled to retaliate on this coming Sunday that would have compounded the turmoil for the N.A. economy including the US. This morning, Trump said he paused tariffs in order to help Canada and Mexico; isn't that sweet, we should send a thank you note. He also said this morning that tariffs could go up as time goes by and so he continues to sow confusion.

Some tariffs will remain, and the threat will persist, yet the immediate bullet has been largely dodged for a few weeks. The bottom line—for now—is this summary:

- 25% metals tariffs on aluminum and steel will continue to proceed next week on March 12th. There will be high pass through, especially on aluminum given Quebec’s dominant role.
- There will be a 10% tariff on energy products imported from Canada that fall outside of the USMCA preference which excludes most energy;
- There will be a lower 10% tariff on potash imported from Canada that falls outside of the CUSMA/USMCA preference instead of 25% after it dawned upon the US administration that 25% into spring planting season would decimate US farmers;
- All other 25% tariffs on CUSMA/USMCA-compliant trade have been suspended until at least April 2nd when the Commerce Department issues its report on trade practices around the world. Trade that is not CUSMA/USMCA compliant is usually because the pre-existing tariffs are zero to minimal and so companies choose not to file necessary paperwork and accept the regulatory costs in order to be compliant. This is an easy fix for those companies in order to avoid the 25% tariff and become compliant with the terms of the trade deal and requires them to file paperwork and proves rules of origin are compliant which trade experts suggest is a potential source of uncertainty for some firms.
- Trump said the US will proceed with reciprocal tariffs on April 2nd. He said this morning that all tariffs will become reciprocal on April 2nd which adds a new layer of uncertainty; does that mean no other tariffs will follow on that date, only smaller ones where countries impose tariffs on the US? If so, then it that case, Canada would have little to worry about.
- Canada responded by postponing the application of 25% tariffs on the extra \$125 billion of imports from the US until April 2nd. This is only a few days before the 21-day comment period that accompanied the initial announcement and so it’s not a material postponement.
- Canada is maintaining the 25% tariffs on the original list of \$30 billion of imports from the US. I believe that Canada’s approach is the correct one. Canada should only lift all tariffs when highly erratic US policy removes the threat entirely.
- The provinces are maintaining all of their announced restrictions and Ontario is going ahead with a 25% electricity export tax starting next week.

CANADIAN JOBS PREVIEW—MOMENTUM VERSUS TARIFFS

Median: 20

Scotia: 20 (ranked 1st out of 12)

Mean: 18

Range: -15 to +46 (most within about 10–35)

Shadow estimate: N/A

Std dev: 14.2

95% confidence interval: +/-57k

UR: 6.7% from 6.6%

Wages: 3.7% y/y

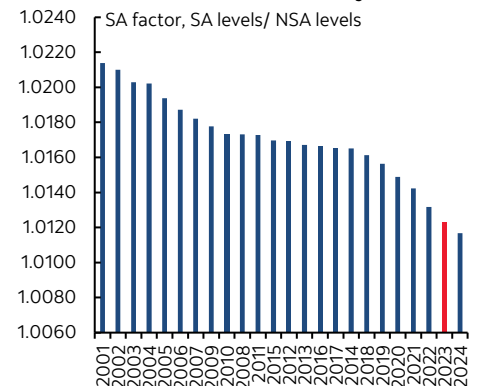
After big numbers in December (+91k) and January (+76k), the historical odds favour another gain. Sources: Scotiabank Economics, Statistics Canada. The issue is whether history will stack up well against tariffs and the expiration of the GST/HST cut.

The statistical noise factor that is embodied within a 95% confidence interval of +/-57k around the estimated monthly job change means there is always a lot of uncertainty around the estimate and hence more of the focus is upon the aftermath and implications ahead of next week’s Bank of Canada decision. A large surprise could be impactful to the call, but

Why do the historical odds favour another gain? One reason is sample stickiness. Statcan uses a sample rotation approach to sampling jobs in ‘primary sampling units’ (PSUs, but not those ones) by sampling the same local areas for six months at a time and rotating in new ones

Chart 1

Comparing Canada LFS SA Factor for All Months of February



one month at a time while dropping the first month's sample out. That means most of the sample is repeatedly drawn from pretty much the same areas, with the same regional concentrations of employers and industries. The sample turns slowly over time and is not a random sample.

A downside is the SA factor that has been among the lowest in recent years compared to like months of February in history (chart 1). That's because of the recency bias in how they are calculated.

The GST/HST cut may support retail employment into the February LFS reference week when the cut expired. Next month's report for March may be a different story.

Chart 2

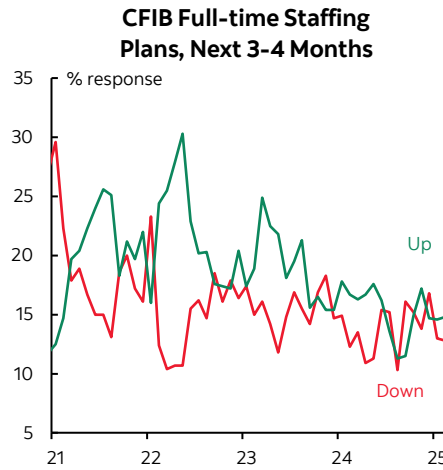
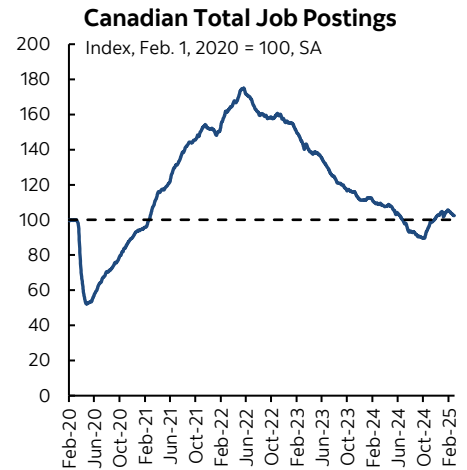


Chart 3



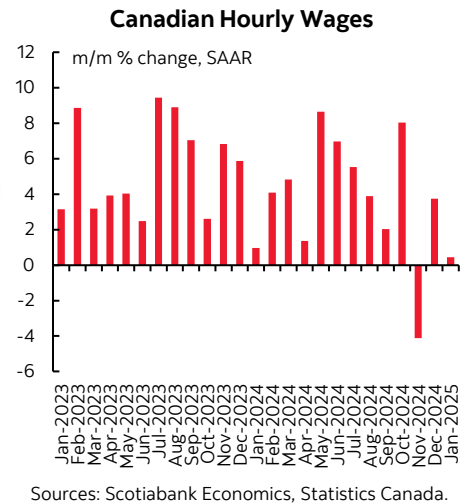
CFIB small business hiring plans remain mildly supportive (chart 2). Jobs postings have continued to rise (chart 3).

I suspect hours worked are due for a retreat after explosive back-to-back gains and that might be a dampener on February GDP expectations.

The UR is expected to rise a tick. Labour force growth has been very sticky at high levels.

Wage growth has been cooling on a recent trend basis (chart 4). Another weak number could add to disinflationary wage pressures as opposed to sticky core inflation readings, but a rebound probably wouldn't change the multi-month trend.

Chart 4



NONFARM PAYROLLS PREVIEW—PROBABLY MORE DOWNSIDE THAN UPSIDE RISK

Nonfarm payrolls for February arrive at 8:30amET. Here are expectations.

Consensus Median: 160

Scotia: 140 (I'm ranked 5th out of 77)

Consensus Mean: 158 (ie: no skewness)

Range: 30 to 300 (most within about 130–200)

Shadow estimate: 120

Std dev: 34

90% confidence interval: +/- 130k

UR: 4.0% / Scotia 4.1

Wages: 0.3 / Scotia 0.2

I've suspended my pattern of preferring to lean higher than consensus on this one and am more concerned about downside than upside risk to my estimate. A 140k payroll gain is expected. There is always a high degree of noise with a 90% CI of +/-130k around the estimate. That means that often times a nonfarm release is more about the clean-up than picking bun fights over the exact guesstimate. There is also the matter of nonfarm's methodological quirks, like counting jobs instead of employed bodies like the household survey which means multiple counting of part-timers. If that's not enough, then how about throwing in snow in New Orleans, the aftermath of fires in LA, tariff wars etc.

Here are some of the drivers behind my estimate:

I expect the SA factor to be a big dampener on this one. Over recent years, the SA factors for months of February have been artificially low; last year's was the lowest on record for like months of February. SA factors are recalculated with a strong recency bias skewed toward

recent years and so today's factors reflect much bigger downside adjustments than was historically normal.

Government jobs may be a downside risk, but by how much is deeply uncertain. For one, a lot of the DOGE cuts happened after the February nonfarm reference period which is the pay period of whatever frequency that includes the 12th day of each month. For another, job cuts like we saw in yesterday's Challenger report (chart 5) don't necessarily show up right away on payrolls; in fact, many of the federal government cuts will not show up for months on deferred arrangements.

Weather may have also been a dampening influence. One doesn't drop off payrolls due to weather unless you are unpaid by any frequency over the whole reference period, but it can affect hiring decisions by both employer and prospect.

LA fires that swept through in January probably had their effects on the February reference period by way of suspending economic activity including hiring.

And of course there is the policy uncertainty factor as a dampener on hiring confidence. The US trade policy uncertainty index has shot to the highest since at least 1985. The turmoil created by the Trump administration is a blow to businesses.

Advance indicators that we have to consider merit caution, but often do not translate very well into payrolls:

- consumer confidence jobs plentiful dipped a touch to 33.4 from 33.9, signalling consumers think there are fewer available positions (chart 6).
- ISM-services employment increased by 1.6 points to 53.9, signalling quicker hiring (chart 7).
- ISM-mfrg employment fell 2.7 points to 47.6, signalled lower employment
- ADP at 77k was weak, but offers poor tracking of nonfarm. As chart 8 shows, there is a three-in-four chance based on history that the initial private nonfarm payrolls estimate for job growth will exceed ADP's estimate.
- Initial claims moved up somewhat between January and February nonfarm reference periods. More claims don't necessarily relate to hiring.

Chart 5

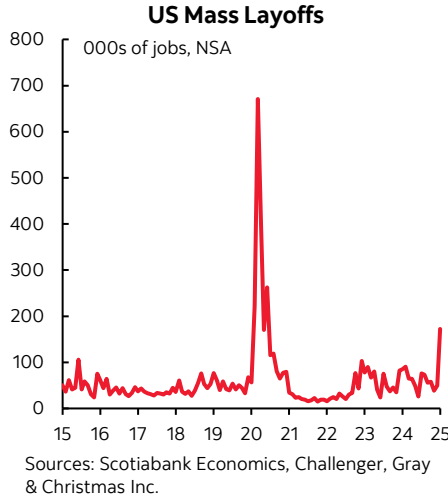


Chart 6

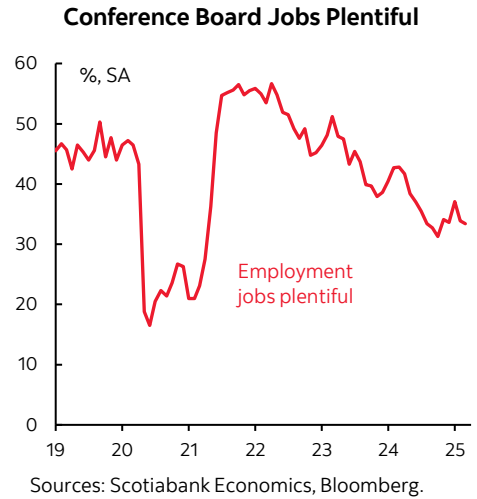


Chart 7

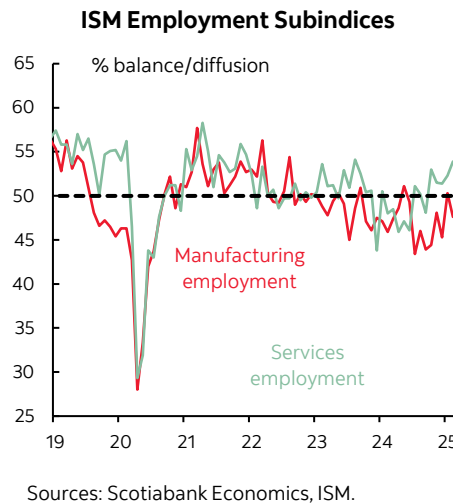


Chart 8

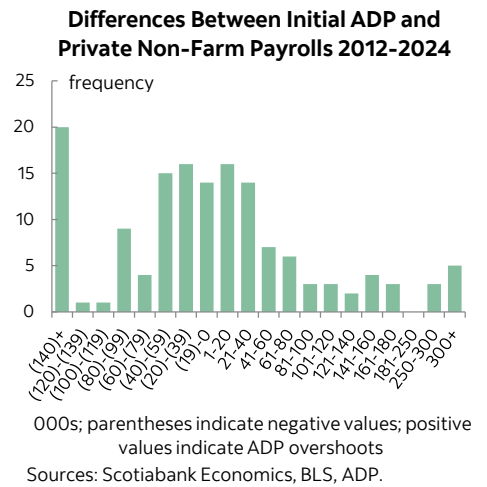


Chart 9

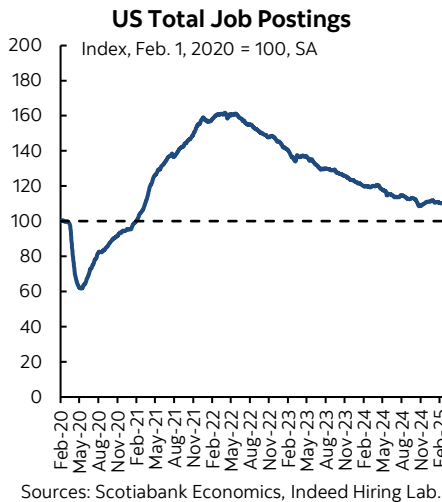
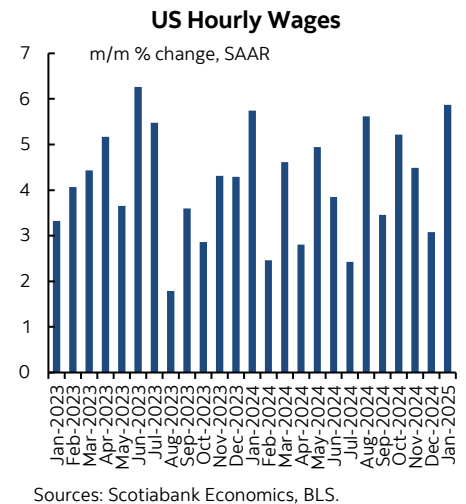


Chart 10



- ‘Indeed’ job postings moved only slightly lower in February over January (chart 9).
- Challenger job cuts surged to 172k from about 50k and even more so in SA terms since the data is NSA. Cuts don’t mean folks immediately dropped off payrolls and there is also the issue that many of them would have happened after the Feb nonfarm reference period.

We won’t get the following readings until next week, and so some pieces of the puzzle are missing:

- JOLTS: January’s reading only arrives on Tuesday
- NFIB small biz confidence: February’s hiring plans and other measures only arrive on Tuesday.

Also watch wage growth that has been quite strong (chart 10).

CHAIR POWELL’S SPEECH MATTERS MORE

I’ll be more focused upon what Powell says afterward, than on nonfarm with the FOMC clearly signalling near-term patience. He speaks on the economic outlook at 12:30pmET. The FOMC goes into communications blackout tomorrow ahead of the March 18th–19th meeting that the FOMC officials have made clear will deliver a hold. More important at that meeting will be the ‘dot plot’ of the Committee’s policy rate expectations..

Governor Bowman also speaks at 10:15amET, then NY Fed President Williams speaks at 10:45amET followed by Governor Kugler (12:20pmET and 1pmET).

Fixed Income	Government Yield Curves (%):												Central Banks		
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-WK	Last	1-day	1-WK	Last	1-day	1-WK	Last	1-day	1-WK			
U.S.	3.95	3.96	3.99	4.04	4.06	4.02	4.26	4.28	4.21	4.57	4.58	4.49	Canada - BoC	3.00	
CANADA	2.64	2.55	2.62	2.73	2.64	2.67	3.07	2.97	2.96	3.30	3.20	3.18	US - Fed	4.50	
GERMANY	2.24	2.25	2.03	2.49	2.52	2.15	2.81	2.83	2.41	3.07	3.08	2.70	England - BoE	4.50	
JAPAN	0.85	0.86	0.81	1.12	1.14	1.01	1.52	1.54	1.38	2.53	2.52	2.36	Euro zone - ECB	2.65	
U.K.	4.25	4.22	4.17	4.34	4.31	4.17	4.69	4.66	4.48	5.25	5.22	5.09	Japan - BoJ	0.50	
Spreads vs. U.S. (bps):															
CANADA	-132	-141	-137	-131	-142	-135	-120	-131	-125	-127	-138	-131	Mexico - Banxico	9.50	
GERMANY	-172	-171	-197	-155	-153	-187	-145	-145	-180	-150	-150	-179	Australia - RBA	4.10	
JAPAN	-310	-310	-318	-292	-291	-301	-274	-274	-283	-203	-206	-213	New Zealand - RBNZ	3.75	
U.K.	30	26	18	29	26	15	42	38	27	68	64	60	Next Meeting Date		
Equities															
	Level						% change:								
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	24584	-286.8			-1.2	-2.2	-3.4	12.8					Canada - BoC	Mar 12, 2025	
Dow 30	42579	-427.5			-1.0	-1.5	-3.9	9.8					US - Fed	Mar 19, 2025	
S&P 500	5739	-104.1			-1.8	-2.1	-4.8	11.3					England - BoE	Mar 20, 2025	
Nasdaq	18069	-483.5			-2.6	-2.6	-7.4	11.0					Euro zone - ECB	Apr 17, 2025	
DAX	23078	-341.4			-1.5	2.3	5.9	29.3					Japan - BoJ	Mar 19, 2025	
FTSE	8643	-39.9			-0.5	-1.9	-0.7	12.4					Mexico - Banxico	Mar 27, 2025	
Nikkei	36887	-817.8			-2.2	-0.7	-4.9	-6.8					Australia - RBA	Mar 31, 2025	
Hang Seng	24231	-138.4			-0.6	5.6	14.7	49.3					New Zealand - RBNZ	Apr 08, 2025	
CAC	8124	-73.3			-0.9	0.2	1.9	1.3							
Commodities															
	Level						% change:								
WTI Crude	67.40	1.04			1.6	-3.4	-5.1	-14.6					Canada - BoC	Mar 12, 2025	
Natural Gas	4.19	-0.12			-2.7	9.2	26.5	130.2					US - Fed	Mar 19, 2025	
Gold	2919.24	7.44			0.3	2.1	30.9	35.2					England - BoE	Mar 20, 2025	
Silver	32.43	0.18			0.5	2.2	1.3	36.3					Euro zone - ECB	Apr 17, 2025	
CRB Index	301.07	-0.40			-0.1	-1.6	-2.1	7.9					Japan - BoJ	Mar 19, 2025	
Currencies															
	Level						% change:								
USDCAD	1.4318	0.0022			0.2	-1.0	0.2	6.4					Mexico - Banxico	Mar 27, 2025	
EURUSD	1.0851	0.0066			0.6	4.6	5.1	-0.9					Australia - RBA	Mar 31, 2025	
USDJPY	147.67	-0.3100			-0.2	-2.0	-2.5	-0.3					New Zealand - RBNZ	Apr 08, 2025	
AUDUSD	0.6296	-0.0037			-0.6	1.4	0.4	-4.9							
GBPUSD	1.2922	0.0040			0.3	2.7	4.2	0.9							
USDCHF	0.8794	-0.0046			-0.5	-2.6	-3.4	0.2							

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